



**Information Resource Center
American Embassy Buenos Aires**

ECONOMICS AND TRADE ALERT SERVICE Number 3, 2005

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■ **A BREAK IN THE CLOUDS: LATIN AMERICA AND THE CARIBBEAN IN 2005**
Inter-American Dialogue; Sol. M. Linowitz Forum. July 2005

This report, which reflects the consensus of the Inter-American Dialogue's members, notes that the impressive growth of Latin America's economies in 2004 and 2005 may be short-lived without substantial policy and institutional reform. Its central message is that Latin America's future depends mostly on whether the region's governments take the measures necessary to make their economies and societies stronger, more resilient, and more just. Such measures include promoting increased exports and foreign investment, sharply boosting savings and tax revenues, investing more in infrastructure, improving the quality of education, and directly attacking the region's pervasive inequality. The authors urge that the report be read in tandem with the report of the Dialogue's special task force on U.S. policy, Agenda for the Americas 2005, released in March [http://www.thedialogue.org/publications/2005/winter/agenda_2005.pdf] That report proposed a series of initiatives to restore significant priority to Latin America and the Caribbean in Washington's foreign policy agenda -- in the interests of both the region and the United States.

<http://www.thedialogue.org/publications/2005/summer/plenary.pdf> [pdf format, 44 pages]

■ **THE ECONOMIC VALUE OF INTELLECTUAL PROPERTY**
Robert Shapiro and Kevin Hassett
USA For Innovation. October 2005

USA For Innovation has announced the release of a paper commissioned to identify the importance of American innovation and intellectual property and what is being done to protect this American asset. The paper titled 'The Economic Value of Intellectual Property' and co-authored by economists Dr. Robert Shapiro and Dr. Kevin Hassett quantifies the worth of American intellectual property at \$5 - 5.5 Trillion, far higher than previous estimates and squarely at the heart of American economic growth. The paper also establishes clear links between protection of intellectual property and foreign direct investment in emerging economies. The findings warn that countries like Brazil which threaten U.S. patents will face growing resistance from both foreign governments and

international markets, reluctant to invest in environments that demonstrate disregard for intellectual property rights. Conversely, for every 1% increase in the degree of patent protections in a developing country, U.S. investment in that country increases by 0.45%. http://www.usaforinnovation.org/news/ip_master.pdf [pdf, 34 pages]

■ THE U.N.'S WORLD SUMMIT IS WRONG ON DEVELOPMENT ASSISTANCE

Brett D. Schaefer

Heritage Foundation Backgrounder No. 1881, 26 September 2005

Schaefer, an economist with The Heritage Foundation, says that foreign assistance can be useful but increasing economic assistance to an arbitrary 0.7 percent of GNP will not improve economic growth and development in poor nations. Numerous studies have concluded that economic freedom, good governance, and the rule of law -- which are essential for encouraging investment and entrepreneurialism -- are the keys to long-term economic growth and poverty reduction, he writes. The twentieth century approach to development -- which emphasized monetary aid as the road to poverty reduction -- produced a vicious cycle of aid, default and dependency, states Schaefer. In one study of 88 countries, he reports, only one case was found in which foreign aid actually led to increased investment and economic growth. Further, he notes, eleven years of data from the Index of Economic Freedom show a clear positive relationship between economic growth and the adoption of policies that promote economic freedom and the rule of law. The U.S. should continue to reject arbitrary aid targets and encourage developing countries to adopt policies that encourage private investment and entrepreneurship, writes Schaefer, because these are the true keys to development.

<http://www.heritage.org/Research/TradeandForeignAid/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=83230> [pdf format, 10 pages]

<http://www.heritage.org/Research/TradeandForeignAid/bg1881.cfm> [html format, 9 printed pages]

■ INTERNATIONAL MIGRATION, REMITTANCES AND THE BRAIN DRAIN

The World Bank, c2006

Knowledge of the economic effects of migration, especially its impact on economic development, is rather limited. In order to expand knowledge on migration, and identify policies and reforms that would lead to superior development outcomes, this volume presents the results of a first set of studies carried out on the subject. Current demographic trends in both developed and developing countries are pointing toward significant, potential economic gains from migration. The labor forces in many developed countries are expected to peak around 2010, and decline by around 5 percent in the following two decades, accompanied by a rapid increase in dependency ratios. Conversely, the labor forces in many developing countries are expanding rapidly, resulting in declines in dependency ratios. This imbalance is likely to create strong demand for workers in developed countries' labor markets, especially for numerous service sectors that can only be supplied locally. There are large north-south wage gaps, however, especially for unskilled and semiskilled labor. Part 1 of this book, Migration and Remittances, examines the determinants of migration, and the impact of migration and remittances on various development indicators, and measures of welfare. Among these are poverty and inequality; investments in education, health, housing and other productive activities; entrepreneurship; and child labor and education. It focuses on

different source countries, use data collected via different methodologies, and employ different econometric tools. Their results, however, are surprisingly consistent. Part 2, Brain Drain, Brain Gain, Brain Waste, focuses on issues related to the migration of skilled workers, that is, the brain drain. It presents the most extensive database on bilateral skilled migration to date, and also examines a number of issues associated with the brain drain, that have not been emphasized in the literature so far, uncovers a number of interesting and unexpected patterns, and, provides answers to some of the debates. This volume deals essentially with economically motivated south-north migration, whose principal cause is, in most cases, the difference in (the present value of) expected real wages, adjusted for migration costs.

Full text:

http://wdsbeta.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/10/21/00012009_20051021094619/Rendered/PDF/339880rev.pdf [pdf format, 292 pages]

Chapters downloadable separately:

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166322&entityID=000012009_20051021094619 [several pdf files, various pagings]

TRADE

TRADE INTEGRATION IN THE AMERICAS

M. Angeles Villarreal

Congressional Research Service. November 22, 2005

Since the 1990s, the countries of Latin America and the Caribbean have been a focus of United States trade policy, as demonstrated by the passage of the North American Free Trade Agreement (NAFTA), the U.S.-Chile free trade agreement (FTA), and, more recently, the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). The Bush Administration has made bilateral and regional trade agreements important elements of U.S. trade policy. The United States currently is in the process of completing trade negotiations with Andean countries for an FTA and on reactivating talks for a U.S.-Panama FTA and a Free Trade Area of the Americas (FTAA). U.S. supporters of trade integration in the Americas believe it helps U.S. economic and political interests in several ways. Proponents believe that the movement towards trade integration of the Americas is beneficial for U.S. prosperity, and also serves to strengthen democratic regimes and support U.S. values and security. Forming closer economic relations with countries in the region is seen by some as a means to improve cooperation on other issues such as the environment and anti-drug efforts. U.S. opponents of trade integration proposals are mainly concerned that hemispheric free trade would lead to a loss of jobs in the United States through increased import competition or as a result of U.S. companies shifting production to lower-wage countries with weak labor standards. The number of regional trade agreements in the Americas has been increasing since the 1990s. Supporters note that if countries in the Western Hemisphere ultimately establish an FTAA, it could have as many as 34 members and nearly 800 million people, nearly twice the population of the European Union. Issues under debate include the pros and cons of deepened trade relations with Latin America and the Caribbean, and whether the

current focus on bilateral and regional FTAs is the most appropriate trade policy. Some analysts do not believe that such a policy is a good idea because it is creating a complicated network of trade agreements throughout the region could slow down the FTAA process. Others believe that regional trade agreements lead to the consolidation of regional trade areas into larger free trade areas, and although a slow process, may eventually lead to a hemispheric free trade area.

<http://fpc.state.gov/documents/organization/57510.pdf> [pdf format, 32 pages]

■ POLICIES THAT DISTORT WORLD AGRICULTURAL TRADE: PREVALENCE AND MAGNITUDE

Congressional Budget Office. August 2005

This Congressional Budget Office (CBO) paper, which responds to part of a request by the Chairman of the House Ways and Means Committee, presents statistics on policies around the world that distort agricultural trade. Such policies and the talks to liberalize them fall into three major categories: (1) market access -- policies that restrict or regulate imports; (2) domestic support -- domestic subsidies and other forms of support to domestic producers; and (3) export subsidies. In broad terms, the statistics indicate that:

- * Policies that distort agricultural trade remain much more pervasive and substantial around the world than policies that distort trade in other goods.
- * High agricultural tariffs are most prevalent in East Asian countries. The United States has a low average agricultural tariff, and the European Union's average is in the middle.
- * The European Union provides the largest amount of the most trade-distorting category of domestic support as measured by dollar value, with the United States a distant second and Japan a distant third.
- * The European Union is by far the dominant provider of export subsidies, providing 85 percent to 90 percent of the world's total.

In keeping with CBO's mandate to provide objective, nonpartisan analysis, this paper makes no recommendations.

<http://www.cbo.gov/ftpdocs/66xx/doc6614/08-22-Doha.pdf> [pdf format, 76 pages]

■ WTO DOHA ROUND: AGRICULTURAL NEGOTIATING PROPOSALS

Charles Hanrahan and Randy Schnepf

Congressional Research Service. November 9, 2005

The pace of negotiations in the Doha Round of multilateral trade negotiations has quickened as the mid-December Hong Kong Ministerial Conference of the World Trade Organization (WTO) approaches. At Hong Kong, WTO member countries are expected to reach agreements on specific measures (known as modalities) to expand global trade in agricultural and industrial products and services and set the stage for intensive negotiations that would take place during 2006. Despite intense negotiations, agreements on modalities, especially for agriculture, have eluded negotiators. This report provides background information on the WTO, the Doha Round, the key negotiating groups, and a schedule of historical and upcoming events relevant to the agricultural negotiations; reviews the agreements reached in the July 2004 framework and identifies issues that remain to be resolved by the Hong Kong Ministerial in December; discusses and compares the major agricultural negotiating proposals; and discusses the potential effects of an agricultural agreement on U.S. farm policy.

<http://fpc.state.gov/documents/organization/57217.pdf> [pdf format, 38 pages]

U.S. ECONOMY

THE MACROECONOMIC EFFECTS OF HURRICANE KATRINA

Brian W. Cashell, Marc Labonte

Congressional Research Service. September 13, 2005

Hurricane Katrina will have substantial and long-term effects on the economies of southern Louisiana and Mississippi. But, given that those two states account for just 2% of total U.S. gross domestic product, the effects on the national economy will be much less dramatic than the effects on the region. Since the storm, a number of economic forecasters have adjusted their predictions to reflect its effects. Most indicate that, as a result of the storm, national economic growth is expected to be 0.5%-1.0% slower than in the second half of 2005. However, as economic activity recovers in the affected region, and rebuilding begins, growth in the first half of 2006 is now expected to be more rapid than was previously forecast. This report will be updated as reliable data become available.

<http://fpc.state.gov/documents/organization/53572.pdf> [pdf format, 6 pages]

OFFSHORING OF SERVICES: AN OVERVIEW OF THE ISSUES

U.S. Government Accountability Office. November 2005

Much attention has focused on the “offshoring” of services to lower-wage locations abroad. Offshoring generally refers to an organization’s purchase of goods or services from abroad that were previously produced domestically. Extensive public debate has arisen about both the potential benefits of services offshoring, such as lower consumer prices and higher U.S. productivity, as well as the potential costs, such as increased job displacement for selected U.S. workers. In response to widespread congressional interest, GAO conducted work under the Comptroller General’s authority to help policy makers better understand the potential impacts and policy implications of services offshoring. This report: (1) provides an overview of experts’ views on the potential impacts of services offshoring, (2) describes the types of policies that have been proposed in response to offshoring, and (3) highlights some key areas where additional research might help advance the debate about offshoring.

<http://www.gao.gov/new.items/d065.pdf> [pdf format, 86 pages]

THE ROLE OF IMMIGRANTS IN THE U.S. LABOR MARKET

Congressional Budget Office. November 2005

Foreign-born workers are a growing presence in the U.S. labor force. One of every seven people working in the United States in 2004 was born elsewhere; a decade earlier, only one in ten workers was foreign born. With the projected slowdown in the growth of the native workforce as the baby-boom generation reaches retirement age, immigrants are likely to hold an even greater share of jobs in the future. This paper, requested by the Chairman and Ranking Member of the Senate Finance Committee, is

the third of several reports by the Congressional Budget Office (CBO) that present facts and research on immigration to help inform the agency's projections of the federal budget and the economy. The paper focuses on the role of immigrants in the labor market—the skills they bring to that market; the types of jobs they hold; their compensation; and their impact on the native-born workforce. In keeping with CBO's mandate to provide objective, nonpartisan analysis, this paper makes no recommendations.

<http://www.cbo.gov/ftpdocs/68xx/doc6853/11-10-Immigration.pdf> [pdf format, 35 pages]

■ U.S. JOBS GAINED AND LOST THROUGH TRADE: A NET MEASURE

Erica L. Groshen, Bart Hobijn, and Margaret M. McConnell

Current Issues in Economics and Finance, Volume 11, Number 8

Federal Reserve Bank of New York. August 2005

"Recent concerns about the transfer of U.S. services jobs to overseas workers have deepened long-standing fears about the effects of trade on the domestic labor market. But a balanced view of the impact of trade requires that we consider jobs created through the production of U.S. exports as well as jobs lost to imports. A new measure of the jobs gained and lost in international trade flows suggests that the net number of U.S. jobs lost is relatively small—2.4 percent of total U.S. employment as of 2003."

http://www.newyorkfed.org/research/current_issues/ci11-8/ci11-8.html [html format, 9 printed pages]

http://www.newyorkfed.org/research/current_issues/ci11-8.pdf [pdf format, 7 pages]

■ SIMPLE, FAIR, & PRO-GROWTH: PROPOSALS TO FIX AMERICA'S TAX SYSTEM: REPORT OF THE PRESIDENT'S ADVISORY PANEL ON FEDERAL TAX REFORM

President's Advisory Panel on Federal Tax Reform. November 2005

In creating the President's Advisory Panel on Federal Tax Reform in January 2005, President Bush instructed the Panel to recommend options that would make the tax code simpler, fairer, and more conducive to economic growth. The Panel, headed by former senators Republican Connie Mack and Democrat John Breaux, evaluated several reform proposals. After 12 public meetings in five states and Washington D.C., the Panel reached consensus to recommend two tax reform plans -- the Simplified Income Tax Plan and the Growth and Investment Tax Plan. While they use different approaches, the plans share a common goal of providing simple and straightforward ways for Americans to save free of tax, and lowering the tax burden on productivity-enhancing investment. The plans include the following major features:

- * Simplification of the entire tax system and streamlined tax filing for both families and businesses.
- * Lower tax rates on families and businesses, while retaining the progressive nature of the current tax system.
- * Extension of important tax benefits for home ownership, charitable giving, and health insurance to all taxpayers.
- * Removal of impediments to saving and investment.
- * Elimination of the alternative minimum tax.

The report notes that while some of the recommendations may be controversial, taken as a whole they accomplish the Panel's objectives. Each plan is designed to be comprehensive and should be viewed as an integrated package. The Panel believes

that without large-scale changes, and continued commitment to avoiding complexity and special tax breaks, the tax code will become even more confusing, unfair, and damaging to the U.S. economy.

<http://www.taxreformpanel.gov/final-report/> [pdf format, 272 total pages divided among four segments]